



Charter for Development of the Alaskan North Slope

**Calendar Year 2005
REPORT**



The Alaska Department of Environmental Conservation

Industry Preparedness Program
Alaska Department of Environmental
Conservation
555 Cordova Street
Anchorage, Alaska 99501
voice: 907-269-3094
fax: 907-269-7687

This publication is also available on the
Web at:

**[http://www.dec.state.ak.us/spar/
ipp/nscharter.htm](http://www.dec.state.ak.us/spar/ipp/nscharter.htm)**



Photo courtesy of ConocoPhillips Alaska Inc.

The Charter for Development of the Alaskan North Slope, signed December 2, 1999 is an agreement between the State of Alaska, BP and ARCO which led to State of Alaska support of a merger between BP and ARCO. The Charter, as it has come to be known, took effect in April of 2000 after the merger between BP and ARCO was complete. As set forth in the Charter, ARCO and BP agreed to sell a pre-determined percentage of their Alaska interests to a third “qualified company” prior to their merger in order to ensure continued competition. Phillips Petroleum, now ConocoPhillips purchased the stock of ARCO Alaska, Inc. and, with BP assumed responsibility for fulfilling the Charter obligations. The Charter includes significant environmental commitments, including cleanup of abandoned contaminated sites, accelerated cleanup of reserve pits, corrosion monitoring for non common carrier pipelines, research and development of Arctic spill response technologies and a renewed commitment to the Oil Pollution Act of 1990. The Department of Environmental Conservation is responsible for monitoring compliance with these environmental commitments. The following report is a summary of the provisions and status of these environmental commitments for calendar year 2005.

Environmental Commitments

PROVISIONS

2005 ACHIEVEMENTS

COMMITMENT STATUS THROUGH YEAR END 2005

Cleanup of Abandoned (Orphan) Sites (II.A.1)

By year end 2005, BP will spend \$10,000,000 or more to assess and clean up North Slope Orphan Sites.



BP spent \$1,120,448 in 2005 to cleanup the following three major areas:

- Removal of abandoned drums and fuel at 14 remote Foothill sites;
- Removal via detonation of abandoned explosives at the Itkillik River Explosives Cache;
- Excavation of contaminated gravel at the Frontier Rock and Sand Pad sites in Deadhorse.

The Orphan Site cleanup program concluded on December 31, 2005.

Total program expenditure, 2000 through 2005 is \$10,081,845.



Cleanup of Abandoned Barrels (II.A.2)

BP and CPA to inventory and remove abandoned barrels encountered as part of their respective seismic or exploration activities.



Photo courtesy of ConocoPhillips Alaska Inc.

CPA removed 226 abandoned barrels from areas near the Alpine development area.

BP did not identify or report any barrels for removal in 2005 other than those identified under Charter section II.A.1.

CPA has removed 1,119 abandoned barrels under this program since 2001.

BP has removed 111 abandoned barrels under this program since 2002.

This commitment is effective for the life of the merger.



Photo courtesy of ConocoPhillips Alaska Inc.



Photo courtesy of ConocoPhillips Alaska Inc.

Environmental Commitments

PROVISIONS

2005 ACHIEVEMENTS

COMMITMENT STATUS THROUGH YEAR END 2005

Accelerated Cleanup of Existing Contaminated Sites (II.A.3)



BP and CPA to assess and cleanup contaminated sites listed on Exhibit D2 to standards approved by ADEC.

High priority sites will be substantially completed by year end 2005.

Remaining sites to be completed by year end 2007.

Sites which due to operational restrictions cannot be fully cleaned until facility or equipment abandonment will be identified by BP, CPA and ADEC for completion according to a mutually agreed schedule.



BP completed cleanup, and ADEC issued a closure status for the following five sites during 2005:

- West Kuparuk State 3-11-11;
- ARCO Drill Site 2;
- ARCO Drill Site L-2 Bioremediation Site;
- ARCO Building U5A, MCC Pad;
- ARCO Pad 10.

Additional monitoring and/or assessment were conducted at seven BP sites.

CPA completed cleanup, and ADEC issued a closure status for the following two sites:

- Itkillik River Unit #1;
- Toolik Federal 1.

Four CPA sites were recommended for closure and additional monitoring and/or assessment was conducted at these four sites.



Cleanup at five high priority BP sites is substantially completed. Extensions will be approved for the remaining three high priority sites.

CPA is responsible for 18 of the 42 contaminated sites listed on Exhibit D2. Of the 18 sites, CPA has closed out 11. Current status of CPA's remaining seven sites is as follows:

- For four sites, assessments and/or remedial action are complete, and annual monitoring will be conducted until cleanup objectives are met;
- For two sites, gravel pad cleanup will be coordinated with the reserve pit removal;
- For one site, an assessment has been completed and remedial action is planned for 2006.

BP is responsible for 24 of the 42 sites listed on Exhibit D2. Of the 24 sites, BP has closed out 9. Current status of BP's remaining 15 sites is as follows:

- Two sites have been removed from the Exhibit D2 list and will be managed under the Reserve Pit Program;
- Two sites have been granted extensions for cleanup to be deferred until 2008;
- For five sites, assessments and/or remedial actions are complete, and annual monitoring will be conducted until cleanup objectives are met;
- For three sites, assessment, and/or corrective action have been completed and closure will be requested in 2006;
- For two sites, assessment is complete, remedial actions have been taken, and final cleanup is expected to be completed during 2006;
- For one site, an assessment has been completed, monitoring is on-going and remedial action is planned for 2007.

Environmental Commitments

PROVISIONS

2005 ACHIEVEMENTS

COMMITMENT STATUS THROUGH YEAR END 2005

Accelerated Cleanup of Inactive Reserve Pits (II.A.4)



BP and CPA to comply with ADEC regulatory requirements in closing inactive reserve pits.

BP and CPA to close inactive reserve pits listed in Exhibit D3A and subject to the Natural Resources Defense Council Inc. v. ARCO settlement agreement by December 31, 2004 and to close the other inactive reserve pits listed on Exhibit D3A by the end of 2007.

BP and CPA to close inactive reserve pits listed on Exhibit D3B according to a mutually agreed schedule that ends a reasonable period after work on D3A sites has been completed.

There are two types of reserve pits on the North Slope, production reserve pits (D3A sites) and exploration reserve pits (D3B sites).

BP closed three production (D3A) reserve pits by excavating the waste and stabilizing the sidewalls to prevent collapse:

- Lisburne L-2;
- Lisburne L-3;
- Z pad.

BP closed one exploration (D3B) reserve pit:

- Highland State 1, which was excavated and backfilled.

CPA closed three exploration (D3B) reserve pits:

- Toolik Federal #1, which was sealed with a cap designed to permanently encapsulate the drilling waste in a below grade monofill;
- West Sak 14, which was excavated and backfilled;
- West Sak 17, which was excavated and backfilled.

BP and CPA successfully completed waste excavation and final closure of all sites listed in Exhibit D3A and subject to the Natural Resources Defense Council Inc. v. ARCO settlement agreement.

BP and CPA successfully completed waste excavation and final closure of all sites listed in Exhibit D3A and subject to the Natural Resources Defense Council Inc. v. ARCO settlement agreement.

BP is responsible for 50 of the 87 D3A production reserve pits. Of these, 22 have been approved for closure by ADEC.

BP is responsible for 41 of the 84 D3B exploration reserve pits. Of these 19 have been approved for closure by ADEC.

CPA is responsible for 37 of the 87 D3A production reserve pits and all of these have been approved for closure by ADEC.

CPA is responsible for 43 of the 84 D3B exploration reserve pits. Of these 33 have been approved for closure by ADEC.

The closure of some D3B exploration reserve pits perceived as higher risk to the environment were accelerated and moved ahead of several D3A production reserve pits. This reprioritization has resulted in an extended closure schedule for the remaining 31 D3A sites to between 2010 and 2012.

Excavation of the D3B exploration sites is proceeding concurrently with D3A production site pits. This allows for long term operational efficiency of the grind and injection plant which has a limited capacity. All 84 D3B exploration sites are now projected to be closed between 2010 and 2012.



Environmental Commitments

PROVISIONS

2005 ACHIEVEMENTS

COMMITMENT STATUS THROUGH YEAR END 2005

North Slope Spill Response (II.A.5)

BP and CPA to support an independent professional North Slope spill response organization such as Alaska Clean Seas (ACS) and will encourage the fullest possible participation in ACS by all North Slope producers.

BP and CPA will support and vote in favor of funding to ACS for an Arctic spill response research and development (R&D) program jointly agreed to by, ACS, BP, CPA and ADEC at an average annual level of not less than \$200,000 during the 10 year period following completion of the merger.

BP and CPA contributed \$142,735 to ACS in support of the Arctic spill response R&D program for the following projects:

- Testing emulsion breakers (\$34,600);
- Support for the continuing Coastal Ocean Dynamic Applications Radar (CODAR) project, a land based radar system for measuring the speed and direction of the Beaufort Sea surface currents. The project received boat support from ACS (\$823);
- Viscous oil pumping development project was completed with the assembly of pumps and flow meters associated with two injection flange systems and with training of operators (\$28,778);
- Continuation of well blowout model development (\$4534);
- Spill related analysis of north slope crude oils (\$69,808);
- Participation in a workshop for planning joint studies of arctic spill response development (\$3,782);
- Support for the Ground Penetrating Radar project (\$410).

The average annual expenditure in support of the Arctic spill response R&D program for the first six years of the Charter is \$226,402.

Total expenditure through year end 2005 is \$1,358,412.

This commitment ends in 2010.



Environmental Commitments

PROVISIONS

2005 ACHIEVEMENTS

COMMITMENT STATUS THROUGH YEAR END 2005

Corrosion Monitoring and Related Practices (II.A.6)

In consultation with ADEC, BP and CPA to develop a performance management program for the regular review of corrosion monitoring and related practices for non-common carrier North Slope pipelines operated by BP or CPA. This program to include the following components:

- On average, twice yearly meet and confer working sessions between BP, CPA and ADEC;
- Reports by BP and CPA on their current and projected monitoring, maintenance and inspection practices to assess and to remedy potential or actual corrosion and other structural concerns related to these lines;
- Ongoing consultation with ADEC regarding environmental control technologies and management practices.

BP, CPA and ADEC met in May and September 2005, to confer on current pipeline corrosion monitoring, mitigation, maintenance and inspection practices.

The September meet and confer sessions were conducted as field visits to both Kuparuk and Prudhoe Bay. The field visits provide an opportunity to observe inspection work first hand and to ask questions to field staff. The field visits continue to be highly valuable, providing context to the annual reports. The field visits are planned to continue in future years.

BP and CPA submitted their 2005 reports on corrosion monitoring and mitigation in March 2005. ADEC and their technical consultant Coffman Engineers continue to review these reports and provide feedback.

Program highlights include:

- Internal pipeline inspection at 44,324 locations;
- External pipeline inspection at 39,976 locations;
- 204 below grade piping segments were inspected by long range ultrasonic technology, and 2 below grade segments were inspected by "smart pig" technology. Of the 206 below grade segments inspected, 30 were excavated and inspected;
- Three 3-phase pipelines, including below grade segments were inspected with "smart pig" technology.

BP and CPA continue to submit their annual reports on corrosion monitoring each spring for the previous calendar year.

The first meet and confer session was held in April of 2001. Since then ADEC has met with industry twice yearly, once in the spring and once in the fall for meet and confer sessions. ADEC also consults with BP and CPA on an as needed basis throughout the year.

This commitment is effective for the life of the merger.



Environmental Commitments	PROVISIONS	2005 ACHIEVEMENTS	COMMITMENT STATUS THROUGH YEAR END 2005
<div>Additional Expenditure Commitment (II.A.7)</div> <div></div>	<p>BP and CPA will pay or spend up to an aggregate total of \$500k each year during the 10 year period following completion of the merger for any combination of the following as requested annually in writing by the ADEC Commissioner:</p> <ul style="list-style-type: none">• additional orphan site assessment or cleanup in excess of cap established under II.A.1;• additional Arctic spill response research and development in excess of amount established under II.A.5;• funding for experts chosen by ADEC to provide advice on pipeline corrosion and/or other pipeline structural integrity issues.	<p>ADEC requested additional funding for Arctic spill response research and development projects and pipeline corrosion monitoring experts.</p> <p>The following projects were funded under this program in 2005:</p> <ul style="list-style-type: none">• Ground Penetrating Radar, for detection of oil in and under ice;• North Slope offshore/nearshore ice break-up study;• Technical experts to research and evaluate systems for mechanical recovery of oil in ice infested waters;• Hydrocarbon mitigation and clean-up technologies for North Slope gravel pads;• Professional services contract with Coffman Engineers to provide expert advice on pipeline corrosion and structural integrity issues.	<p>ADEC continues to request funding for projects of interest on an annual basis.</p> <div></div>
<div>Payment of Unspent Funds (II.A.8)</div>	<p>In the event that expenditures by BP and CPA is less than the full amounts provided for under Charter paragraphs II.A.1, II.A.5, and II.A.7, then BP and CPA will pay any outstanding balance as directed by the ADEC Commissioner.</p>	<p>The II.A.1 Orphan Sites Program concluded on December 31, 2005 and BP has met their full expenditure commitment.</p> <p>BP and CPA are on track to fulfill their expenditure commitment under paragraph II.A.5.</p> <p>To date, ADEC has not requested funding in the full amount available to them under paragraph II.A.7.</p>	<p>To date, ADEC has not requested payment for any outstanding balances.</p> <div></div>

Environmental Commitments

PROVISIONS

2005 ACHIEVEMENTS

COMMITMENT STATUS THROUGH YEAR END 2005

Renewed Commitment to OPA 90 (II.B.1)

BP and CPA will not seek to be relieved from vessel retirement or replacement requirements of the Oil Pollution Act of 1990 (OPA 90), will not lobby for a reduction in OPA 90 requirements, and will not take any other action to extend the retirement dates of non-double-hulled tankers.

If a trade association or group of which BP and CPA is a member takes a different position, BP and CPA upon notification and request by ADEC, will issue a statement reaffirming its support for OPA 90.

BP and CPA continue their commitment to replace current tanker vessels with new state of the art double hull tankers and to meet the requirements of OPA 90.

BP and CPA have not lobbied for a reduction in the requirements of OPA 90 or taken any other action to extend retirement dates of non-double-hulled tankers in their fleets beyond the currently scheduled retirement dates.

This commitment is effective for the life of the merger.



Environmental Commitments

PROVISIONS

2005 ACHIEVEMENTS

COMMITMENT STATUS THROUGH YEAR END 2005

Replacement Vessels (II.B.2)

In furtherance of their commitment to meet or exceed the OPA 90 standards and timetable, BP and CPA will complete the purchase and delivery of double-hulled tankers to meet their combined Alaskan North Slope (ANS) fleet requirements on average one year earlier than required by OPA 90, with expectation that the entire ANS fleet will be double-hulled by mid-year 2007.

These new tankers will have safety related attributes substantially equivalent to or better than Millennium or Cape class tankers including:

- new build double-hulls;
- main power plant redundancy;
- twin propellers;
- twin rudders;
- twin independent steering;
- proven electronics.

In addition, BP and CPA will continue to support a ship escort response vessel system for Prince William Sound at current or better levels of effectiveness.

Two new Millennium/Endeavor class tankers, the Alaskan Explorer and the Alaskan Navigator were placed into service in 2005.



BP has placed three of their scheduled four Millennium class tankers into service as follows:

- Alaskan Frontier, 2004;
- Alaskan Explorer, 2004;
- Alaskan Navigator, 2005.

CPA has placed four of their scheduled five Endeavor class tankers into service as follows:

- Polar Endeavor, 2001;
- Polar Resolution, 2002;
- Polar Discovery, 2003;
- Polar Adventure, 2004;

The projected schedule for placing the remaining two Millennium/Endeavor class tankers into service is as follows:

- Polar Enterprise, 2006
- Alaskan Legend, 2006

BP and CPA continue to support the ship response escort system (SERVS) for Prince William Sound which continues to meet federal and state requirements.

Environmental Commitments

PROVISIONS

2005 ACHIEVEMENTS

COMMITMENT STATUS THROUGH YEAR END 2005

Marine Operations (II.B.3)

BP and CPA will encourage and support the companies operating ANS tankers in using a performance management program for the regular review of its management and operations practices, including a safe environment, training and qualifications, and vessel operation, maintenance and management procedures.

This program will include meet and confer working sessions between the operating company and ADEC, scheduled on average once per year. This program to include the following components:

- Reports by the operation company of their current and anticipated management and operations practices;
- Ongoing consultation between the operating companies and ADEC on tanker management and operation practices;
- Involvement of BP and CPA in those sessions and consultations on a monitoring basis.

In addition, BP and CPA will encourage the operating companies to allow for ADEC to observe, and be provided written results of audits as part of a certification or re-certification process for the International Maritime Organization's International Safety Management Code or for the International Standards Organization.

ATC and Polar Tanker continue review of their management and operation practices on an annual basis. ADEC attends these meetings.

ADEC staff participates with ATC and Polar Tankers personnel in quarterly meetings of the Valdez Marine Safety Committee (VMSC) which addresses safety of navigation issues in Port Valdez and Prince William Sound.

ADEC personnel regularly conduct shipboard inspections of ATC and Polar Tanker vessels at the Valdez Marine Terminal. Inspections cover, among other things, ship maintenance and personnel training. Inspections results are regularly discussed with management personnel.

This commitment is effective for the life of the merger.





For More Information, contact:



Industry Preparedness Program
Alaska Department of Environmental Conservation
555 Cordova Street
Anchorage, Alaska 99501

voice: 907-269-3094
fax: 907-269-7687